

Message Text

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ACTION AID-20

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PASS AID AND USDA

E.O. 11652:N/A
TAGS:EAGR, EAID, EG
SUBJECT: TITLE I AND TITLE III PROGRAMS IN EGYPT

REFERENCE: CAIRO 8517

1. DURING COURSE OF CEREMONY FOR SIGNING AID AGREEMENTS HELD TODAY, MINISTER OF ECONOMY HAMED EL SAYEH RAISED WITH AMBASSADOR QUESTION OF PL 480 TITLE I AND TITLE III RELATIONSHIP. MINISTER OF ECONOMY RECALLED URGENT REQUIREMENT BEING EXPRESSED BY MINISTER OF SUPPLY REGARDING NEED FOR ADDITIONAL WHEAT PURCHASES AS PROMPTLY AS POSSIBLE. WHILE GOE REMAINS STRONGLY INTERESTED IN TITLE III PROGRAM, THEY ARE CONCERNED THAT NEGOTIATION OF UNDERSTANDINGS FOR TITLE III MAY DELAY TOO LONG ISSUANCE OF PAS UNDER EXISTING TITLE I AGREEMENT.

2. UNDER CURRENT CIRCUMSTANCES, GOE HAS THEREFORE DECIDED TO FOREGO TITLE III PROGRAM AT THIS TIME, REPEAT AT THIS TIME, IN ORDER TO KEEP WHEAT PROCUREMENT MOVING. EL SAYEH THEREFORE REQUESTED THAT USDA GO FORWARD WITH RELEASING FINAL PAS UNDER CURRENT AGREEMENT.

3. EL SAYEH REITERATED THAT GOE REMAINS INTERESTED IN TITLE III PROGRAM AND THEREFORE WISHES INTER-MINISTERIAL
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GROUP WHICH HAS BEEN ESTABLISHED TO GO FORWARD WITH ITS WORK. INTENTION WOULD BE TO HAVE PROGRAM READY FOR CONSIDERATION WHICH COULD THEN BECOME AN INTEGRAL PART OF NEGOTIATIONS ON ANY PL 480 PROGRAM FOR FY 1979 OR IN THE EVENT ADDITIONAL TITLE I FUNDS SHOULD BECOME AVAILABLE IN FY 1978 IN RESPONSE TO GOE REQUEST FOR ADDITIONAL 500,000 TONS OF WHEAT AND/OR WHEAT FLOUR IN FY 1978.

4. COMMENT: IT IS CLEAR THAT GOE FEELS DEEPLY CONCERNED ABOUT WHEAT SITUATION AND BELIEVES IT CAN HOLD OFF NO LONGER ON ISSUANCE OF PAS AND PROCUREMENT OF FULL AMOUNT UNDER CURRENT TITLE I PROGRAM. GOE ALSO RECOGNIZES MORE FULLY THAN PREVIOUSLY THAT ARRANGEMENTS FOR A TITLE III PROGRAM MAY BE SOMEWHAT MORE COMPLICATED THAN THEY HAD ANTICIPATED AND THAT CONSEQUENTLY NEGOTIATIONS MAY TAKE LONGER THAN THEY CONSIDER PRUDENT, ESPECIALLY SINCE THIS COULD BE FIRST TITLE III PROGRAM IN EGYPT AND ONE OF FIRST IN WORLD. IN ADDITION, GOE HAS REALLY ONLY NOW BECOME AWARE THAT THE FOREIGN EXCHANGE IMPACT OF A TITLE III PROGRAM WILL BE MORE SPREAD OUT OVER TIME GIVEN CURRENT TITLE I TERMS THAN WOULD HAVE BEEN THE CASE WHEN LOAN FORGIVENESS WAS FIRST DISCUSSED AND WHEN TITLE I TERMS WERE LESS CONCESSIONAL. THUS, THERE IS SOME GROWING QUESTION IN MINDS OF GOE DECISION MAKERS AS TO WHAT IS IN FACT THE APPROPRIATE LEVEL OF TITLE III PROGRAM THEY SHOULD SEEK. UNDER THESE CIRCUMSTANCES, EMBASSY/AGRICULTURAL ATTACHE URGES THAT USDA MOVE FORWARD PROMPTLY WITH ISSUANCE OF REMAINING PAS UNDER CURRENT TITLE I AGREEMENT. EILTS

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